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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of)

1996 Annual Access Tariff Filing)

Treatment of Video Dialtone)
Service Under Price Cap)
Regulation)

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CC Docket No. 87-313

DA 96-28

CC Docket No. 94-1

COMMENTS OF AT&T CORP.

Pursuant to the FCC Public Notice issued February 20, 1996, AT&T Corp. ("AT&T") hereby comments on Bell Atlantic's Petition for Waiver of Sections 61.42, 61.45, 61.47 and 61.48 of the Commission's Rules, 47 C.F.R. §§ 61.42, 61.45, 61.47 and 61.48, to the extent that they may be interpreted to require a separate price cap basket in Bell Atlantic's 1996 Annual Access Tariff filing for video dialtone service.

In its Petition (at 1-2), Bell Atlantic asserts that the Telecommunications Act of 1996 immediately terminated the regulations applicable to video dialtone,¹ and thus eliminated the rules requiring local exchange carriers ("LECs") to create a separate price cap basket for video dialtone service. Bell Atlantic proposes (at 2) that until the Commission

¹ Telecommunications Act of 1996, Pub. L. No. 104-104, § 302(b)(3) (1996) (hereinafter "the Act").

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concludes the required rulemakings to implement its regulation of video services under the Act, it "will operate its service under the terms of its tariff and the Commission's rules for common carrier services."²

Although Bell Atlantic may be correct in its conclusion that the Act eliminated the regulation of video dialtone service under the Commission's price cap rules, this does not lead to the conclusion that the revenues, investment and expenses of video dialtone may now be included in Bell Atlantic's (or any other LEC's) price cap baskets for regulated telephony services. To the contrary, as Bell Atlantic acknowledges (at 2), the Act contemplates regulation of video services under various alternative frameworks, and only the pure transmission of video programming on a common carrier basis will remain subject to Title II of the Communications Act.³ Even in that instance it is unclear at this time how the Commission intends to exercise its Title II jurisdiction.

The Act further provides that other forms of video services shall be regulated under Title III of the Communications Act, including reduced regulation pursuant to rules to be implemented by the Commission for open

² Bell Atlantic (at 2-3) goes on to claim that, because its demand quantities for video dialtone service in 1995 were zero, it could not in all events calculate either the Price Cap Index or Actual Price Index for a video dialtone basket.

³ The Act at Section 302(a), adding Section 651 (a)(2).

video systems.⁴ For any of these alternative forms of regulation, the proper treatment of those costs and revenues of LEC video services must await the outcome of the Commission's rulemaking proceedings.

Moreover, the Act did not disturb the requirement that LECs separately report the revenues, investment and expenses of their video services using Automated Reporting Management Information System reports.⁵ Such separate accounting (and eventually separate regulatory treatment) for a LEC's video services is consistent with the Commission's continuing goal of ensuring that LEC revenues generated from regulated, monopoly telephony services do not cross-subsidize the LECs' video services.⁶

Accordingly, to the extent that the Commission grants Bell Atlantic's Petition, it should not permit Bell Atlantic at this time to include its revenues, expenses and investment associated with its video dialtone trial

⁴ Id. at Section 302(a), adding Section 653.

⁵ Reporting Requirements on Video Dialtone Costs and Jurisdictional Separations for Local Exchange Carriers Offering Video Dialtone Service, Memorandum Opinion and Order, 10 FCC Rcd 11292 (1995).

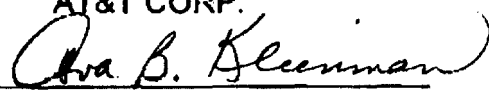
⁶ Id. at 11295 ("The reporting requirements . . . are designed to advance two important Commission goals. First, . . . to ensure that telephone ratepayers do not bear the costs of VDT and that would also help to protect cable operators from potential LEC anti-competitive conduct.")

services in its price cap baskets for regulated telephony services, and it should continue to require Bell Atlantic to comply with the separate accounting of those revenues, expenses and investment in accordance with the Commission's Rules.

Respectfully submitted,

AT&T CORP.

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March 1, 1996

CERTIFICATE OF SERVICE

I, Ann Marie Abrahamson, do hereby certify that on this 1st day of March, 1996, a copy of the foregoing "Comments of AT&T Corp." was mailed by U.S. first class mail, postage prepaid, to the parties listed below.

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